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FARMERS' EXPORT CORPORATION BILL

FEBRUARY 26, 1925.—Committed to the Committee of the Whole House on the state of the Union and ordered to be printed

Mr. HAUGEN, from the Committee on Agriculture, submitted the following

REPORT

[To accompany H. R. 12390]

The Committee on Agriculture, to whom was referred the bill (H. R. 12390) to create a Farmers' Export Corporation; to prevent a recurrence of agricultural depression; to place agricultural commodities upon an equality under the tariff laws with other commodities; to place agriculture upon an equality with industry and labor; and for other purposes, having had the same under consideration, reports favorably thereon without amendment and recommends that the bill do pass.

NECESSITY FOR THE LEGISLATION

In reporting the original McNary-Haugen bill (H. R. 9033), last session, your committee discussed the general agricultural situation and the gravity of the condition of agriculture at that time. At this time your committee wishes to reaffirm that report. Although the prices of some agricultural commodities have increased during the last few months, the condition of producers has not improved correspondingly. They have not received the benefit of the increase, for their commodities had been disposed of at the low prices prevailing at the time their commodities were ready for market. Practically 50 per cent of the wheat was marketed during July, August, and September. The average price received by the farmer at the farm during that period was approximately $1.12 a bushel. Although an acute world shortage has recently forced higher prices for grains, the farmer has benefited very little. And the price of cattle to-day is even less than the 1913 price, while hogs are selling at a price only slightly higher than the 1913 price.

The proposed legislation is based upon the immediate necessity of remedying the conditions existing in the case of those commodities which have not increased in price and of protecting agriculture from a recurrence of the agricultural depression which will otherwise occur as soon as world production returns to normal.

THE PRINCIPLE OF THE BILL

The basic cause of conditions in agriculture remains unchanged. We produce, and it is essential that we produce, a surplus of certain agricultural commodities. This surplus must be sold in competition in the world markets. It is sold at the world price. But the surplus for export is not segregated from the supply for domestic consumption. Consequently the world price fixes the price for the entire crop.

Under these circumstances, our present tariff, to a very large extent, is inoperative. The effect of the world price upon the entire crop can be removed by removing the exportable surplus, so that the domestic price will be protected by the tariff. The policy of the bill is stated in the first section as follows:

> It is hereby declared to be the policy of Congress to make more effective the operation of the tariff upon agricultural commodities, so that such commodities will be placed upon an equality under the tariff laws with other commodities, and to eliminate as far as possible the effect of world prices upon the prices of the entire domestic production of agricultural commodities, by providing for the disposition of the domestic surplus of such commodities.

Briefly stated, the purpose of the bill is—

(1) To enable agricultural producers, through an agency created for them, to contract with existing agencies for the purchase of the exportable surplus of certain basic agricultural commodities, in order to permit the domestic price of such commodities to rise to the height of the tariff wall above world prices;

(2) To enable the producers to contract with existing agencies for the sale of the exportable surplus at the best prices obtainable in the world markets; and

(3) To enable the producers to pay the losses sustained upon the sale of the exportable surplus, and to pay their ratable share of the operation expenses of the corporation.

In this manner, the Government is to assist agriculture, for the period covered by the bill (five years), in adopting the practice of industry, i. e., in selling surplus abroad independent of that portion sold for domestic use. It is hoped that by the end of the five-year period, the producers, through voluntary cooperative organizations, will be able themselves to handle the problem of the surplus.

REPORT OF AGRICULTURAL CONFERENCE

The following is an extract from the preliminary report of the President's Agricultural Conference:

> Agriculture is the most important industry of America. Its complex, widespread and highly technical problems do not lend themselves to any one remedy or any specific piece of legislation through which there may be found complete cure for its many ills. The problems of agriculture, like the problems of industry, will require constant attention from many points of view and a continuing

effort to establish and maintain stability and prosperity. Agriculture is entitled to the same measure of consideration and the same degree of benefits that are received by industry and, therefore, needs continuing constructive and sympathetic leadership in the administration of governmental departments, as they affect the farmers' interests, and it also needs, from time to time, the type of legislation which already has been described.

In the field of legislation it is important that not only specific problems of the farmers should be solved but also, in general, that there should be given to the American farmer through the application of the protective tariff system the full benefits of American markets. The American farmer can neither compete with imported agricultural products, created through cheap foreign labor and lower standards of living, nor can he compete in foreign markets for the sale of his products at world price levels created by supply and demand arising out of foreign productive standards and foreign buying power.

Your committee has reported a comprehensive cooperative marketing measure, in accordance with the recommendations of the President's agricultural conference. Your committee is convinced that the export corporation bill will in no way conflict with the principles of cooperative marketing. On the contrary, it will prove to be a desirable and effective stimulus to the cooperative marketing movement. Your committee feels that the adoption of the bill now reported is vital to the solution of the agricultural problem, and that it provides a practical method for putting into effect the principle enunciated above "that there should be given to the American farmer through the application of the protective tariff system the full benefits of American markets."

OBJECTIONS TO ORIGINAL BILL REMOVED

The two principal objections urged against the original bill were (1) that because of the ratio-price features the bill was a price-fixing bill, and (2) that extraordinary power was delegated to the President in the fixing of tariff duties. Your committee feels that the above objections were not valid. A discussion of their merits at the present time, however, is not necessary, for the present bill affords no opportunity of urging them.

The bill is based solely on the policy of making the existing tariff effective by removing the surplus produced in the United States from the domestic market, and thereby removing the effect of the world price upon the agricultural commodities sold in the domestic market. The corporation will contract with existing agencies to buy at the prevailing market price and to sell in the foreign market at the best prices obtainable. A natural limit is placed upon the price of the domestic commodity, the world price plus the amount of tariff duty. Under no possible interpretation can the bill be criticized as a price-fixing measure.

The power given the President in the original bill to increase rates of duty is removed entirely. Consequently, all objections based upon that power in the original bill are eliminated.

THE AGRICULTURAL SITUATION

The statement submitted by the American Council of Agriculture to the President's agricultural conference on December 17, 1924, contains such an accurate analysis of the agricultural situation to-day that your committee feels justified in reprinting the following extracts, which reflect its views upon the question.

PART I.—THE AGRICULTURAL SITUATION

I. THE FUNDAMENTAL PROBLEM OF PRICE

The American farmer is chained to a world price level for those great crops like corn, cotton, wheat, and pork of which he produces a normal surplus over domestic requirements. This condition attracted no great degree of attention as long as agricultural and world general price levels retained substantially the same relation with each other that existed while present farming enterprises were being established and developed. It has been thrust into the foreground of national problems following the postwar deflation, when farm prices in the United States followed world farm prices as they returned nearly to pre-war levels, while prices for most goods and services for which the farmers' crops are exchanged were upheld, far above their pre-war position, by industrial and labor organizations, operating behind the effective American protective system created to a large extent by legislative enactments and other governmental activities in recent years.

The war brought about a closer association of industrial interests engaged in kindred lines than the country had known before. Compared in number and geographical distribution with the farmers, industrial enterprises are few and concentrated. They are closely knit by trade associations. Where no such association was in existence prior to the war, it was developed under the encouragement of the Government through such agencies as the War Industries Board, the Food Administration, and the Fuel Administration which found the task of mobilizing the nation's manufacturing and distributing power simplified when it could deal with an organization of producers and distributors rather than with individuals, in any industrial line.

Farm prices that are governed by world prices, and industrial prices and wages that are effectively protected, therefore, are acutely out of line. The sign of this in postwar years has been a farm dollar whose buying power has been cut nearly in half because of the low exchange value of wheat, pork, and beef. Its attendant circumstance of wholesale farmer bankruptcy, farm abandonment, and a rapid depletion of capital invested in farms and farming, representing years, even generations of toil, is too familiar to require extended discussion.

The National Industrial Conference Board (247 Park Avenue, New York) has recently made known the results of its statistical study showing exchange value per acre to the farmer at the farm of the principal farm commodities for the years 1920, 1921, 1922, and 1923. This study differs from most others measuring the purchasing power of farm products, in that it uses retail prices of selected articles required by farmers instead of the more easily quoted wholesale prices; it figures crop value by the acre production rather than the bushel standard; and the price of farm products used is the price to the farmer, rather than terminal market price which includes relatively high freight rates and other factors that have increased rather than diminished since pre-war years.

The following table, taken from those figures, shows the exchange value for the last four years, compared with 1914, on four principal food products, wheat. corn, beef cattle, and hogs:

	1914	1920	1921	1922	1923	Average	Four-year average
Wheat	100	54	41	46	41	45	53
Corn	100	56	43	63	69	57	
Beef cattle	100	60	50	49	48	51	
Hogs	100	76	59	62	51	62	

Agriculture can not long survive such a condition, nor can industry expect anything like a normal business permanently when a large proportion of our population has its purchasing power so seriously reduced.

It is a common mistake to assume that there has been insufficient demand for these commodities since the war; as a matter of fact there has been ample demand both at home and abroad for all that the farmers of the United States have produced, and at a "dollar" price generally equal to or above prices received before the war. Our exports of corn, pork products, and wheat have been larger in volume since 1920 than they were in pre-war years. (See Table A.) The trouble with the postwar exchange value is not only that farm prices are too low but that other prices are too high.

It is also a mistake to assume that this postwar exchange value is due wholly to an increased postwar production of basic farm commodities. Such assumption is not supported either by sound economic theory or by the facts respecting farm production. The theory generally accepted—at least up to 1920—was that the greater the exportable surplus of farm products the greater the farmers' contribution to the common good and the Nation's wealth. Our entire national land and agricultural policy has been aimed toward a maximum production from our farms. Increased postwar production did not create the exportable surplus as a new factor in American agriculture; this country has been on an export basis since the Civil War.

II. RELATION OF PRODUCTION TO DOMESTIC DEMAND AND POPULATION

The American Council of Agriculture feels certain that your honorable body will study all facts carefully before placing the stamp of your approval on the too-common view that there is overproduction of the basic food necessities in the United States. It would seem that numbers of our citizens are engaged in disseminating the opinion that production of important food crops and livestock has been expanded and increased out of proportion as a result of the war and its price stimulation. The fact is that production, in comparison with our population, has declined, not increased. The American supplies of wheat, corn, cattle, and swine per capita of population in this country are now and have been for the past 5, 10, and 15 years, below those of 20, 30, 40, and, in the case of swine, 50 years ago.

It is unfortunate that many spokesmen for agriculture accept the view that the farmers' troubles come from overproduction, and are blind to the fact that production is steadily falling behind population in the United States.

The following figures illustrate this point. They are set forth in greater detail in an appended table:

Wheat.[1]—Five-year average production (1920–1924) per capita of population, 7.296 bushels, compared with 7.406 bushels for 1910–1919; 7.441 bushels for 1900–1909; and 7.33 bushels for 1890–1899.

Corn.[1]—Five-year average production (1920–1924) per capita of population, 26.108 bushels, compared with 26.112 bushels for 1910–1919; 27.284 bushels for 1900–1909; 27.599 bushels for 1890–1899; and 26.879 bushels for 1880–1889.

Cattle.[2]—Five-year average (1920–1924) number per capita of population, 0.3762 head compared with 0.3762 head for 1910–1919; 0.5119 head for 1900–1909; 0.4408 head for 1890–1899; and 0.5092 head for 1880–1889.

Swine.[1]—Five-year average (1920–1924) number per capita of population, 0.5466 compared with 0.6194 for 1910–1919; 0.5729 head for 1900–1909; 0.6029 head for 1890–1899; 0.7085 head for 1880–1889; and 0.5957 head for 1870–1879.

The existence of an exportable surplus of a vitally important food crop or commodity is not an evil, nor should the aim be to render it nonexistent by acreage reduction. For well over a half century the United States has been on an export basis with wheat, corn, cotton, pork, and other commodities. (See Table A.) No human power can adjust acreage in crop or number of livestock so as to be certain of having no surplus for export on the one hand, without inviting national underproduction, possibly famine, on the other. From the consumers' viewpoint, nothing could be more dangerous than to urge deliberate curtailment of the potential supply of the essential food elements. From the national viewpoint, the grave danger in such a policy is best pictured when one asks oneself the question: "What would have happened to the United States and to the allied nations in the late war if the agriculture of the Nation previously had been reduced to a domestic basis?" It was the fact that they were then on an export basis that enabled the farmers of the United States to supply quickly to the Allies food that was necessary to carrying on the war.

If the farmers of the United States are not to be reduced to the danger line, with years of hardship and hundreds of thousands of individual tragedies accompanying the reduction, this country must either speedily abandon its legislated policy of protection, so that general prices in America will descend in harmony with farm prices, or there must be devised a new method whereby the farmers may dispose of the exportable portion of their crop without having it determine

[1] See Table B. [2] Other than milk cattle.

the domestic price. There is no other way for the farmers to secure an American price for the American consumption independent of the world price for the surplus.

If it were not for the great debt that lies upon the public in general and on agriculture in particular, public policy might point the way toward equality for agriculture by bringing all prices and wages down to the pre-war levels. The theory is advanced that this could be speeded by removal of the various forms of protection afforded labor and industry under our laws. But this debt should be paid off with a dollar as nearly equal as possible in purchasing and debt-paying value to the dollar of the period when the debt was contracted. The council believes that the wise solution is to include the farmer in the American protective system along with industry, labor, transportation, and finance; to level him up rather than to seek to level the others down.

III. THE THEORY OF THE AMERICAN TARIFF

The basic principle of the American protective tariff is to "equalize differences in costs of production in the United States * * * and in competing foreign countries." (Tariff act of 1922.) This has been successful in protecting and expanding industry, to nurture which our laws have been aimed since the first tariff act was passed on July 4, 1789.

The United States reached and passed a significant milepost since the outbreak of the World War in 1914, when industry and labor secured further legislation for their benefit which resulted in a great disadvantage to agriculture. Not for the benefit of a class, but for our national good, it is now time to establish a definite policy of effective protection for agriculture or else to remove from agriculture the subsidy assessed against it for the benefit of other groups. The cornerstone of our social structure and the bulwark of our national institutions are formed of the home-owning independent and contented farmers. It is time to challenge the wisdom of a system that not only does not encourage an independent and contented agriculture but is actually threatening to destroy it. Such a system is inequitable from the standpoint of agriculture, but even more than that, it is wrong as a national economic and social policy.

The whole protective structure in the United States enhances farm production costs above those in lands whose products, sold in the world market, definitely establish the price at which the American farmer is compelled to sell in his own domestic market.

IV. THE WEAK LINK IN THE SYSTEM

For those great crops of which we produce a normal surplus above domestic needs, the mere writing of a schedule in the tariff law does not tend "to equalize differences in costs of production at home and in competing foreign countries." No one now seriously questions that the price at which the surplus sells in export establishes the price on the home market regardless of what the tariff law may provide, unless there is some means of disposing of that surplus abroad in such manner as to maintain an American price behind the protective tariff wall.

To use a familiar illustration with wheat, it is apparent that no grain firm or wheat marketing association in the United States, as long as approximately one bushel in five has to be disposed of on the export market, can sell under existing conditions, even for home consumption, for a price higher than that fifth bushel can be sold for abroad. If the wheat price at Liverpool sets an export price of $1.25 a bushel at American ports, the domestic price of wheat throughout the United States will be based on $1.25 a bushel on the Atlantic seacoast. The price will be about the same in Canada, regardless of the fact that we have a 42-cent tariff on wheat, expressly intended to protect the American farmer in his home market by equalizing differences in costs of production between his operations and those of his foreign competitor. It can be no different as long as the problem of the "fifth bushel" remains undisposed of.

It is true that this year witnesses an improvement in the wheat situation, but it would be sheer folly to consider this a permanent change due to fundamentally new conditions.

The Agricultural Situation, issued monthly by the Bureau of Agricultural Economics of the United States Department of Agriculture, said on November 1, 1924:

"The wheat situation represents an almost spectacular combination of circumstances. We alone have a good wheat crop while the consuming world is short of bread grains. But to regard this year's situation as representing any lasting alignment of supply and demand is to mismeasure the forces on both sides. It is one of those lucky accidents that sometimes happens once."

As having direct bearing on the problem of the surplus farm crops, the council takes the liberty of quoting from the resolutions adopted by the national association of commissioners, secretaries, and departments of agriculture at their meeting on December 2, 1924:

"The protective principle affects only those farm crops of which we produce less than we consume, examples of which are wool, flax, and sugar. In the case of those crops of which there is an exportable surplus, the case is quite different. The price of the exportable surplus is fixed by world-wide competition and is unaffected by a so-called protective tariff. The price level of exportable surplus in turn determines the price level of all that portion of the commodity required for domestic consumption. It is apparent, therefore, that the producer of these farm crops having a surplus available for export, sells at price levels determined by world-wide competition, but buys in a market restricted by the operation of the protective principles. Examples are: Wheat, corn, pork, and to some extent dairy products."

The association which unanimously adopted the resolutions from which the above is quoted is composed of the executives of the State departments of agriculture in 44 States of the Union—men in closest touch with the agricultural problems and needs of their several States.

It is the plain duty of anyone representing agriculture and of any official body charged with present responsibility of leadership in working out a solution of the tremendous economic problem of the farmers, to give immediate study and counsel as to steps that may be taken to prevent a recurrence of the situation that has surrounded the wheat farmer since 1920 and which still affects with deadening adversity the condition of certain other parts of our farm citizenship.

V. CONSIDERATION OF ALTERNATIVE PROPOSALS

It becomes necessary to examine important recommendations that have wide popular support and that aim toward correction of the conditions that have been described. These are:

1. That crop production be adjusted to domestic demand so that there will be no surplus for export; or
2. That farmers by voluntary cooperative action organize to dispose of the surplus and thus maintain an American price with the aid of the protective tariff.

In support of the first recommendation it has been argued that, since the surplus is such a troublesome and costly part of the Nation's crop, farmers should reduce their acreages so that there would be no surplus. One need only consult comparative tables showing acreages and yields of two important crops—wheat and cotton—for recent years, to realize how fantastic and impossible such a proposal is from the practical standpoint. From the point of view of national welfare, it would prove dangerous.

In 1924 our national wheat acreage was 4,490,000 acres below that of 1923, but our estimated wheat yield was 70,000,000 bushels greater than in 1923, figures being: 1923, 58,308,000 acres, yielding 786,000,000 bushels; 1924, 53,818,000 acres, yielding 856,000,000 bushels. The 1924 wheat acreage in the United States was but 1,500,000 acres greater than in 1916, but our yield was 220,000,000 bushels greater in 1924. Our wheat acreage in 1923 was 2,000,000 acres less than the acreage in 1915, but the 1915 yield was 240,000,000 bushels greater than that of 1923.

In 1923 the South, with cotton harvested from 37,420,000 acres, reached its maximum acreage in all history, but picked only 10,281,000 bales. Compare that with the year 1914, when 36,832,000 acres—588,000 acres less than in 1923—yielded 16,135,000 bales, 5,854,000 bales more than in 1923. (P. 796, U. S. Department of Agriculture Yearbook, 1923.)

The summary of the pig surveys conducted by the United States Department of Agriculture for 1922 and 1923 shows a fluctuation in average number of pigs per litter of 20 per cent in the fall pig crops of those years. (Pp. 948–949, U. S. Department of Agriculture Yearbook, 1923.)

No human agency can adjust acreage or number of these great commodities and, except by accident, arrive at, or anywhere near, the desired mark of production. No human agency should attempt to. The one attempting it would be faced with the necessity of suggesting substitute crops to utilize the acres thus vacated. The difficulty of this is apparent. It is noteworthy that those ardent advocates, who in 1923 would have turned the wheat farmers into commercial producers of butterfat, are now silent in the face of existing conditions in the dairy industry.

Even if it were possible for farmers through voluntary organization to make a nice adjustment of acreage to the estimated domestic demand, there is no possible way of forecasting to what extent drouth and flood, hail and freeze, insects and disease—all these and others beyond the farmers' power to foresee and control—would thwart such calculations.

The great task is to deal with this normal surplus so as to preserve the home market for American producers at an American price that does equalize differences in production costs between farmers of this and competing countries. Those without experience in trying to accomplish this say: "Let the farmers organize cooperatively to do this thing." Undoubtedly, if this were practical, it would be the very remedy sought for. Cooperative organization has done great good for agriculture in this and other countries, and in years to come is destined to accomplish vastly more. The opportunity for cooperatives to demonstrate their worth by helping farmers secure a fair price for their products would be immensely increased if the question of the disposal of the surplus were itself disposed of otherwise. But to maintain a domestic price above world levels, and at the same time dispose of a substantial surplus at the world price, is a task which cooperative organizations of farmers alone can not do, and which, if attempted by them, would destroy them.

To illustrate again in the case of wheat: By the use of the imagination it is possible to conceive of 75 per cent of the 2,000,000 farmers growing wheat organized in one cooperative marketing association. Its task is to sustain a domestic price above world levels, behind a tariff wall. To do this it must sell from 150,000,000 to 200,000,000 bushels of wheat abroad at the world price for which it pays its members the protected domestic price. The existing tariff on wheat is 42 cents per bushel. To complete the illustration, assume that the domestic price is 40 cents a bushel above the world price, held there by the activities of the cooperative association, which is taking the surplus out of the country, and selling it at a loss of 40 cents a bushel. This loss which would amount to from $60,000,000 to $80,000,000 in the present illustration, would have to be assessed back on the membership of the association, who would, even then, be receiving more net per bushel for their wheat than they would have received without the corporation. But the difficulty lies in the fact that the 25 per cent of the wheat growers outside the cooperative association, also receiving full benefits from the protected domestic price, do not have any of the assessment to pay. Consequently the outsiders would receive substantially a higher price than the members of the association. The members, realizing this, would prefer to become outsiders themselves, and the cooperative association would then speedily enter the process of dissolution.

On the other hand, if it were possible for the cooperative association to dispose of the surplus and compel all who marketed their wheat to pay their pro rata share of the costs and losses involved in dealing with the surplus, regardless of their voluntary attitude toward the association, then success might be attained. Or, if someone outside the cooperative association attended to thus disposing of the surplus, cooperative associations would be powerful factors in the domestic market, and should be able to assist materially in obtaining a fair price in the American market for the American producers.

Part II.—The Remedy

I. TWO IMPORTANT AGENCIES ARE NEEDED

With the preliminary discussion contained in Part I, the American Council of Agriculture desires respectfully to state its position and make its recommendations to those charged by the President of the United States with the responsibility of advising him, and through him, the Congress of the United States, on steps to be taken on behalf of agriculture.

The council represents that there are two agencies required to deal with the existing and confronting situation:

1. A workable device to divert the surplus, the expense of which would be borne by all the producers intrinsically benefited.
2. Cooperative associations of producers which would be effective, with the problem of the surplus removed, in sustaining and stabilizing the domestic price back of the tariff wall.

In the view of the committee both of these factors are essential. Each supplements the other.

Almost three years ago the late Henry C. Wallace, Secretary of Agriculture from March 4, 1921, until his death, conducted a careful and thorough study of the agricultural situation in the United States which during his term of office reached a state of crisis. During three years Secretary Wallace had at his service what is probably the greatest organization of agricultural experts, students, and workers in the world.

In his special report on the wheat situation to President Coolidge dated November 30, 1923, the then Secretary of Agriculture said:

> Inasmuch as the first step looking toward increasing the domestic price requires the disposition of the surplus over and above domestic needs * * * the suggestion that the Government set up an export corporation to aid in the disposition of this surplus is worthy of the most careful consideration. Such a a corporation necessarily would need rather broad powers. It would not be necessary that it should undertake to handle the entire crop, and it could probably carry on its activities in cooperation with existing private agencies. If it should be found necessary to arrange for the sale of the surplus exported at a price much lower than the domestic price, the loss so incurred would properly be distributed over the entire crop.

In his general report to President Coolidge, made at about the same time, referring to the same project, Secretary Wallace said:

> While the plan proposed could be applied more easily to wheat than to some other agricultural products, obviously, if favorably considered it should not be confined to dealing in wheat alone. It should include all agricultural products of which we have a considerable exportable surplus, and the prices of which are substantially out of line. Especially should provision be made for handling pork products, of which we export large quantities, and which also were brought under Government control during the war.

Agriculture is admittedly our greatest single industry. Forty million people are dependent upon it. Immediate and permanent improvement in agricultural conditions is essential to the prosperity of the entire country. World shortages have resulted in temporary relief to certain farm industries. Nothing has been done to protect against a recurrence of the crisis of the past four years. Your committee feels that it is its duty to report a measure which in its opinion will be effective.

OUTLINE OF THE BILL BY SECTIONS

Title I.—General Provisions

DECLARATION OF POLICY

Section 1 of the bill declares that it is the policy of Congress to make more effective the operation of the tariff upon agricultural commodities, so that such commodities will be placed upon an equality under the tariff laws with other commodities, and to eliminate as far as possible the effect of world prices upon the prices of like domestic products, by providing for the disposition of the exportable surplus.

DEFINITIONS

Section 2 of the bill defines certain of the terms used. The term "basic agricultural commodity" is defined to mean wheat, corn, rice, any dairy product, cattle or swine. The effect of this definition is to limit the operation of the corporation, wherever this term is used, to the specified commodities

TITLE II.—FARMERS' EXPORT CORPORATION

ORGANIZATION AND MANAGEMENT

Section 201 of the bill creates the Farmers' Export Corporation. The Secretary of Agriculture and 12 individuals, to be appointed by the President, by and with the advice and consent of the Senate, constitute the incorporators and the board of directors. The appointments are to be made from each of the Federal land bank districts, from not more than three individuals nominated by each bona fide farm or cooperative commodity organization within the district. In order to provide against the possibility of a failure to nominate, the President is given the power to make the appointment for any district, by and with the advice and consent of the Senate, if at least three individuals are not nominated.

The corporation is to remain in existence for a period of five years, but, upon an Executive order, it may remain in existence for an additional period in order to adjust, settle, liquidate, and wind up its affairs.

THE BOARD OF DIRECTORS

Section 202 provides, as stated above, that the Secretary of Agriculture and the 12 individuals appointed under section 201 shall constitute the board of directors. The directors shall receive no salary, but the appointed directors may receive a per diem allowance, not exceeding $25, for the time spent on the business of the corporation. The board is authorized to elect an executive committee of not less than five members.

CAPITAL STOCK

The funds for the financing of the operations of the corporation are derived from two possible sources: (1) From the funds of the War Finance Corporation, to be used to purchase the capital stock of the corporation; and (2) the issuance of securities.

Section 221 fixes the capital stock at $50,000,000, but this amount may be increased from time to time so that the entire capital stock of the corporation may amount to the total assets of the War Finance Corporation. All the assets of the War Finance Corporation are to be used to purchase the stock except the money deposited with the Treasurer of the United States in accordance with the War Finance Corporation act, as a special fund for the payment of principal and interest, or for the purchase or redemption of the bonds or notes of the War Finance Corporation. It is contemplated that only a small portion of the authorized capital will be called for, inasmuch as the corporation under section 232 (a) is requried to use, so far as practicable, existing facilities and agencies, but adequate capital is made available to the corporation to operate independently in the event that it is compelled to do so.

Under section 222, the corporation is authorized to borrow money and issue securities, to an amount not exceeding, at any one time, ten times the amount of its authorized capital stock. The United States assumes no liability for such securities. Neither the securities issued by the corporation nor the income therefrom will be exempt from taxation, but discriminatory taxation by any State is prohibited.

POWERS

Section 231 gives the general grant of powers.

Section 232 requires the corporation to utilize, so far as practicable, existing facilities and agencies, including associations of producers. The corporation is also required to cooperate with associations of producers, such as associations of producers of cotton and tobacco, and to assist them in establishing foreign markets.

OPERATIONS OF THE CORPORATION

Under section 233 three facts must exist before the corporation can begin operations by purchasing, or contracting for the purchase, of any one of the specified basic agricultural commodities: (1) That there is or may be during the ensuing year a surplus above domestic requirements of the basic agricultural commodity; (2) that the domestic price of that commodity is materially lower than the world price plus the amount of the tariff duty thereon; and (3) that the existence of this surplus renders or will render inoperative in whole or in part the tariff upon that commodity.

The corporation operates by purchasing or by contracting for the purchase of the commodity, at the prevailing market price, in amounts necessary to make the tariff upon the commodity operative. That is, it will remove the exportable surplus, so that the price of the supply for domestic consumption will be determined by domestic conditions.

The corporation is authorized to sell the amounts purchased, or contract for the sale, in the foreign or domestic market, at the highest prices obtainable, and to sell for export or for processing for export under bond, as it deems it advisable.

MISCELLANEOUS PROVISIONS

Section 241 provides for the transfer to the United States of all the money and property of the corporation, upon the termination of its existence.

Subdivision (a) of section 242 requires a principal office in the District of Columbia, and provides that the corporation shall be held an inhabitant and resident of the District of Columbia and of each State in which it is doing business, within the meaning of the laws of the United States relating to venue of civil suits and of offenses by the corporation against the United States. The remainder of this section requires the corporation to keep proper books, provides for their inspection and audit, and requires an annual report.

TITLE III.—APPORTIONMENT OF EXPENSES AND LOSSES OF THE CORPORATION

Title III of the bill sets up the machinery whereby all of the producers will share the losses and expenses of the corporation.

Before beginning operations, the corporation will determine upon an operation period and will estimate the amount of the basic agricultural commodity which it will have to purchase, the probable purchase and selling prices, and its probable losses and expenses. The corporation will then determine the amount of the "equalization fee," for each unit of weight, measure, or value designated by it, to be collected upon each sale or other disposition of the commodity during the operation period, by or on account of the producer. Upon the payment of the fee, a receipt will be given.

The fee may be collected from the producer by the corporation, or by the purchaser who will account to the corporation, or by means of periodical returns and payment, as various sales taxes are collected.

A civil penalty equal to one-half the amount of the fee is imposed upon any person who, in violation of the regulations of the corporation, fails to pay, collect, or account for the fee.

EQUALIZATION FUND AND DIVIDENDS

A special fund for each commodity and for each operation period is established (sec. 304). The expenses and losses of the corporation will be disbursed from the fund, and the balance will be distributed to the persons who paid the fee.

DEFINITIONS

Section 305 contains the definitions of the term "sale or other disposition" applicable to the various basic agricultural commodities.

The effect of the definitions can be explained by a brief illustration: Assume that the corporation has found that the conditions exist which justify its operations upon cattle; has fixed the operation period; and has made its estimates and determined the amount of the equalization fee. The fee will be paid upon the sale, after the beginning of the operation period, of cattle to be slaughtered for market. In the case of cattle sold to a feeder or fattener, on the other hand, the fee will not be paid until he sells for slaughter. The fee will also be paid upon the slaughter of cattle, during the operation period, which were acquired prior to the beginning of the operation period or which were produced by the slaughterer. In the case of cattle imported into the United States, the fee will be paid upon the sale or slaughter after the beginning of the operation period in the same manner as cattle produced in the United States.

Title IV.—Miscellaneous Provisions

In order to protect against a flood of importations, with a resulting depression of domestic prices and an increase in the losses of the corporation, section 401 provides for a temporary regulation of imports. Upon the proclamation by the President that imports of the basic commodity on which the corporation is operating, or any derivative thereof or competitive substitute therefor, is increasing materially or is likely to increase materially the losses of the corporation in respect thereof, further importations are prohibited, except under such regulations and subject to such limitations and exceptions as the President may prescribe, until otherwise ordered by the President or by Congress.

Sections 402, 403, and 404, relating to the dissemination of information to producers, cooperation of executive departments, and penalties, are substantially similar to the provisions of the original bill. Section 405 authorizes the Federal intermediate credit banks to discount for or purchase from the corporation any note, draft, bill of exchange, debenture, or other obligation and to buy or sell debentures issued by the corporation, thus placing the corporation in a position substantially similar to another Federal intermediate credit bank.

LEGISLATIVE HISTORY AND LEGAL PROBLEMS

The legislative history of the original bill will be found in Senate Report No. 410 and House Report No. 631, Sixty-eighth Congress, first session. In the House report there is a comprehensive discussion of the legal problems involved in this legislation. That discussion is applicable to this measure (except, of course, where changes in the original bill have been made) and is adopted by the committee as adequately expressing its views upon the legality of the present bill.

APPENDIX

The tables referred to in the above statement are as follows:

TABLE A.—*Average net exports and average price at farms, by periods*

[Based upon tables of U. S. Department of Agriculture 1923 Yearbook, pp. 602, 662, and 968]

WHEAT

Period	Average net exports per annum	Farm value
	Bushels	*Cents*
1870–1879	84, 917, 277	99. 4
1880–1889	126, 218, 314	83. 4
1890–1899	171, 588, 531	65. 1
1900–1909	14, 954, 264	76. 7
1910–1914	152, 198, 991	86. 0
1915–1920	209, 183, 866	169. 3
1921–1923	208, 037, 522	95. 2

CORN

Period	Average net exports per annum	Farm value
	Bushels	*Cents*
1870–1879	55, 021, 595	40. 5
1880–1889	58, 655, 127	40. 5
1890–1899	113, 315, 367	34. 0
1900–1909	73, 321, 266	47. 1
1910–1914	39, 272, 878	58. 4
1915–1920	39, 399, 912	102. 0
1921–1923	[1] 137, 913. 707	60. 2

[1] Two years 1921–22.

TABLE A.—*Average net exports and average price at farms, by periods*—Continued

SWINE[2]

Period	Average exports per annum	Farm value per head
	Pounds	
1870–1879		$4.62
1880–1889		5.19
1890–1899		4.83
1900–1909		6.50
1910–1914	911,386,000	9.36
1915–1920	1,703,731,000	16.77
1921–1923	1,610,487,000	11.10

[2] Gross exports of fresh pork and pork products—does not include exports of live hogs.

TABLE B.—*Production per capita by decades*

[Based upon tables of U. S. Department of Agriculture, 1923 Yearbook, pages 602, 662, 879, and 945]

WHEAT

Decade	Average production per year	Per capita production
	Bushels	*Bushels*
1870–1879	317,166,300	6.32
1880–1889	444,077,600	7.215
1890–1899	556,694,300	7.33
1900–1909	684,363,300	7.441
1909–1919	782,931,400	7.406
1920–1924	831,454,000	7.296

CORN

1870–1879	1,212,013,100	24.165
1880–1889	1,692,018,700	27.879
1890–1899	1,995,190,500	27.599
1900–1909	2,508,970,300	27.284
1909–1919	2,760,320,600	26.112
1920–1924	2,939,313,600	26.108

MILK CATTLE ON FARMS IN UNITED STATES

Decade	Average number	Milk cattle per capita of population
1870–1879	10,692,200	0.213
1880–1889	13,686,800	.217
1890–1899	16,227,500	.228
1900–1909	18,644,000	.2021
1910–1919	21,643,000	.2047
1920–1924	24,102,000	.21408

TABLE B.—*Production per capita by decades*—Continued

OTHER THAN MILK CATTLE ON FARMS IN UNITED STATES

Decade	Average number	Other than milk cattle per capita of population
1870-1879	17,180,400	0.3425
1880-1889	32,055,700	.5092
1890-1899	33,467,600	.4408
1900-1909	47,085,700	.5119
1910-1919	39,776,700	.3762
1920-1924	42,459,400	.3762

SWINE ON FARMS IN UNITED STATES

Decade	Average number	Swine per capita of population
1870-1879	29,877,600	0.5957
1880-1889	44,602,000	.7085
1890-1899	45,775,500	.6029
1900-1909	52,693,000	.5729
1910-1919	65,477,600	.6194
1920-1924	61,539,000	.5466

Census population

1879	50,155,783
1889	62,947,714
1899	75,914,575
1909	91,972,266
1919	105,710,620
1924 [3]	112,579,797

[3] Estimated population 1924, based on assumption that population increase 1919-1924 (5 years) was one-half the increase of 1909-1919 (10 years).

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